

MAJOR PROPRIETARY FUNDS

The **Light Fund** (City Light) accounts for the operations of the City-owned electric utility. City Light serves approximately 373,000 customers in the Seattle area. In 2004, about 685 average annual megawatts (aaMW) of energy were generated from owned hydroelectric production facilities and about 804 aaMW of energy were obtained through long-term purchased power and exchange agreements. The total system load for the year for City Light retail customers was about 1,097 aaMW. Net short-term wholesale power sales and others were about 392 aaMW.

The **Water Fund** accounts for the operations of the City-owned utility. The utility maintains three separate sources of water supply, namely Cedar and Tolt watersheds and Seattle wellfields; approximately 180 miles of supply mains and 456 million gallons of distribution storage capacity in reservoirs, tanks, and standpipes. The distribution system serves a population of about 630,000 people with an average daily billed consumption of 61 million gallons of water. SPU also sells 66 million gallons of water per day wholesale to 25 surrounding cities and water districts that provide water to an additional 720,000 people. The utility owns and manages a large portion of its watersheds and derives occasional supplementary revenues from timber sales.

The **Drainage and Wastewater Fund** accounts for the operations of the sewer and drainage utility facilities and its pumping stations. Those facilities and stations are necessary to collect the sewage of the City and discharge it into King County's treatment and disposal system. The utility maintains about 1,889 miles of sewers and drainage mainlines, nearly one-half of which are separate sanitary sewers and storm mainlines.

Descriptions for the nonmajor enterprise funds and the internal funds are provided in the combining statements section.

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STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2004

(In Thousands)

	L i g h t		W a t e r	
	2004	2003	2004	2003
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 60,715	\$ 9,347	\$ 6,011	\$ 5,876
Restricted Cash and Equity in Pooled Investments	5,219	7,407	13,104	30,972
Receivables, Net of Allowances				
Accounts	78,403	75,650	9,538	9,345
Unbilled	61,804	61,195	7,272	6,883
Energy Contracts, Notes, and Other Contracts	1,825	5,496	98	147
Due from Other Funds	20,730	1,458	1,387	1,770
Due from Other Governments	9,513	5,481	1,384	1,200
Materials and Supplies Inventory	18,886	18,725	4,611	4,772
Prepayments and Other Current Assets	546	882	13	14
Total Current Assets	257,641	185,641	43,418	60,979
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	91,611	83,781	17,538	12,197
Restricted Investments	26,888	68,244	88,194	24,194
Restricted Receivables and Other	-	-	-	242
Unamortized Bond Issue Costs, Net	6,169	5,316	5,250	4,846
Notes and Contracts Receivable	-	-	334	465
Capitalized Purchased Power Commitment	35,663	45,130	-	-
Deferred Conservation Costs, Net	-	-	17,458	16,018
Deferred Landfill Closure and Postclosure Costs, Net	-	-	-	-
Prepaid Secondary Treatment Service	-	-	-	-
Capitalized Energy Management Services, Net	124,316	116,278	-	-
Deferred Power Costs	-	100,000	-	-
Capitalized Relicensing Costs	16,013	14,328	-	-
Other Deferred Charges	59,706	50,977	4,077	5,774
Capital Assets				
Land and Land Rights	40,646	39,771	15,073	13,656
Plant in Service, Excluding Land	2,249,506	2,152,681	1,207,315	1,058,829
Less Accumulated Depreciation	(980,740)	(914,979)	(326,684)	(304,584)
Building and Improvements	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Machinery and Equipment	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Construction in Progress	85,659	101,524	73,211	163,423
Other Property, Net	13,112	11,861	275	275
Total Noncurrent Assets	1,768,549	1,874,912	1,102,041	995,335
Total Assets	2,026,190	2,060,553	1,145,459	1,056,314

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2004

(In Thousands)

	Drainage and Wastewater		Nonmajor Funds	
	2004	2003	2004	2003
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 7,676	\$ 7,216	\$ 25,009	\$ 24,886
Restricted Cash and Equity in Pooled Investments	4,097	13,167	-	2,224
Receivables, Net of Allowances				
Accounts	10,497	9,014	13,083	11,326
Unbilled	10,829	10,140	266	378
Energy Contracts, Notes, and Other Contracts	10	16	-	-
Due from Other Funds	778	475	975	588
Due from Other Governments	1,022	720	220	229
Materials and Supplies Inventory	-	-	76	11
Prepayments and Other Current Assets	1	2	-	54
Total Current Assets	34,910	40,750	39,629	39,696
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	5,477	5,574	13	-
Restricted Investments	46,982	-	-	-
Restricted Receivables and Other	42	-	-	-
Unamortized Bond Issue Costs, Net	2,375	1,936	537	514
Notes and Contracts Receivable	-	-	-	-
Capitalized Purchased Power Commitment	-	-	-	-
Deferred Conservation Costs, Net	-	-	-	-
Deferred Landfill Closure and Postclosure Costs, Net	-	-	38,760	36,778
Prepaid Secondary Treatment Service	217	272	-	-
Capitalized Energy Management Services, Net	-	-	-	-
Deferred Power Costs	-	-	-	-
Capitalized Relicensing Costs	-	-	-	-
Other Deferred Charges	14,335	7,361	1,891	765
Capital Assets				
Land and Land Rights	7,375	7,379	1,791	1,791
Plant in Service, Excluding Land	556,521	508,035	36,803	33,656
Less Accumulated Depreciation	(144,343)	(129,929)	(20,576)	(18,429)
Building and Improvements	-	-	73,013	73,013
Less Accumulated Depreciation	-	-	(14,603)	(12,169)
Machinery and Equipment	-	-	10,582	10,532
Less Accumulated Depreciation	-	-	(3,115)	(2,057)
Construction in Progress	56,151	78,617	6,746	6,477
Other Property, Net	-	-	1,730	2,374
Total Noncurrent Assets	545,132	479,245	133,572	133,245
Total Assets	580,042	519,995	173,201	172,941

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2004

(In Thousands)

	Comparative Totals		Internal Service Funds	
	2004	2003	2004	2003
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 99,411	\$ 47,325	\$ 42,984	\$ 42,683
Restricted Cash and Equity in Pooled Investments	22,420	53,770	-	-
Receivables, Net of Allowances				
Accounts	111,521	105,335	85	83
Unbilled	80,171	78,596	5	7
Energy Contracts, Notes, and Other Contracts	1,933	5,659	-	-
Due from Other Funds	23,870	4,291	5,501	8,517
Due from Other Governments	12,139	7,630	2,831	3,596
Materials and Supplies Inventory	23,573	23,508	2,062	1,986
Prepayments and Other Current Assets	560	952	-	2
Total Current Assets	375,598	327,066	53,468	56,874
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	114,639	101,552	5	63
Restricted Investments	162,064	92,438	-	-
Restricted Receivables and Other	42	242	-	-
Unamortized Bond Issue Costs, Net	14,331	12,612	-	-
Notes and Contracts Receivable	334	465	-	-
Capitalized Purchased Power Commitment	35,663	45,130	-	-
Deferred Conservation Costs, Net	17,458	16,018	-	-
Deferred Landfill Closure and Postclosure Costs, Net	38,760	36,778	-	-
Prepaid Secondary Treatment Service	217	272	-	-
Capitalized Energy Management Services, Net	124,316	116,278	-	-
Deferred Power Costs	-	100,000	-	-
Capitalized Relicensing Costs	16,013	14,328	-	-
Other Deferred Charges	80,009	64,877	-	-
Capital Assets				
Land and Land Rights	64,885	62,597	81	81
Plant in Service, Excluding Land	4,050,145	3,753,201	-	-
Less Accumulated Depreciation	(1,472,343)	(1,367,921)	-	-
Building and Improvements	73,013	73,013	2,528	3,086
Less Accumulated Depreciation	(14,603)	(12,169)	(660)	(61)
Machinery and Equipment	10,582	10,532	146,958	143,755
Less Accumulated Depreciation	(3,115)	(2,057)	(79,953)	(78,653)
Construction in Progress	221,767	350,041	3,471	3,631
Other Property, Net	15,117	14,510	-	-
Total Noncurrent Assets	3,549,294	3,482,737	72,430	71,902
Total Assets	3,924,892	3,809,803	125,898	128,776

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2004

(In Thousands)

	Light		Water	
	2004	2003	2004	2003
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 37,530	\$ 32,132	\$ 5,782	\$ 10,014
Salaries, Benefits, and Payroll Taxes Payable	6,018	4,949	2,147	1,672
Contracts Payable	-	-	-	-
Compensated Absences Payable	480	496	359	339
Interfund Loans Payable	5,159	70,000	-	-
Due to Other Funds	5,273	5,892	2,070	2,399
Due to Other Governments	-	-	674	-
Interest Payable	16,226	19,798	11,659	11,132
Street Refund Payable	19,998	-	-	-
Deferred Interest on Long-Term Debt Due Within One Year	-	-	-	-
Taxes Payable	8,367	9,529	619	497
General Obligation Bonds Due Within One Year	-	-	-	-
Revenue Bonds Due Within One Year	64,596	53,820	22,470	21,600
Revenue Anticipation Notes	-	-	-	-
Energy and Other Contracts Payable	1,710	3,545	-	-
Claims Payable	6,098	3,166	1,938	1,032
Purchased Power Obligation	10,705	10,300	-	-
Notes and Contracts Payable	-	-	118	118
Landfill Closure and Postclosure Liability	-	-	-	-
Arbitrage Rebate Liability	-	-	-	-
Deferred Credits	2,901	10,743	2,463	2,194
Other Current Liabilities	2,910	1,502	-	-
Total Current Liabilities	187,971	225,872	50,299	50,997
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	-	5,159	-	-
Compensated Absences Payable	10,369	10,222	3,257	3,074
Claims Payable	9,507	10,491	5,651	5,297
Notes and Contracts Payable	-	-	-	-
Long-Term Purchased Power Obligation	35,663	45,130	-	-
Less Obligation Due Within One Year	(10,705)	(10,300)	-	-
Public Works Trust Loan	-	-	946	1,064
Landfill Closure and Postclosure Liability	-	-	-	-
Vendor and Other Deposits Payable	-	-	163	136
Deferred Credits	30,029	26,228	10,898	5,919
Other Noncurrent Liabilities	176	174	15	35
General Obligation Bonds, Due Serially	-	-	-	-
Less Bonds Due Within One Year	-	-	-	-
Bond Discount and Premium, Net	-	-	-	-
Accrued Interest on Deferred Interest Bonds	-	-	-	-
Less Accrued Interest Due Within One Year	-	-	-	-
Revenue Bonds and Anticipation Notes	1,537,246	1,521,526	794,635	731,485
Less Revenue Bonds Due Within One Year	(64,596)	(53,820)	(22,470)	(21,600)
Bond Discount and Premium, Net	40,103	28,240	14,799	11,241
Deferred Loss on Advanced Refunding	(53,460)	(38,495)	(11,080)	(11,834)
Total Noncurrent Liabilities	1,534,332	1,544,555	796,814	724,817
Total Liabilities	1,722,303	1,770,427	847,113	775,814
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	128,454	158,452	287,435	270,619
Restricted for Deferred Power Costs	-	100,000	-	-
Restricted for Other Purposes	72,157	56,831	13,015	12,988
Unrestricted	103,277	(25,157)	(2,107)	(3,107)
Total Net Assets	\$ 303,888	\$ 290,126	\$ 298,343	\$ 280,500

Adjustment to Reflect the Consolidation of Internal
Service Fund Activities Related to Enterprise Funds

Net Assets of Business-Type Activities

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2004

(In Thousands)

	Drainage and Wastewater		Nonmajor Funds	
	2004	2003	2004	2003
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 2,850	\$ 3,088	\$ 9,359	\$ 9,680
Salaries, Benefits, and Payroll Taxes Payable	1,236	947	1,660	1,427
Contracts Payable	-	-	3	-
Compensated Absences Payable	201	190	343	333
Interfund Loans Payable	-	-	-	-
Due to Other Funds	2,512	3,182	1,131	2,704
Due to Other Governments	7,210	6,955	64	35
Interest Payable	3,628	3,180	644	724
Street Refund Payable	-	-	-	-
Deferred Interest on Long-Term Debt Due Within One Year	-	-	370	287
Taxes Payable	172	173	415	478
General Obligation Bonds Due Within One Year	-	-	1,050	1,003
Revenue Bonds Due Within One Year	6,325	5,225	11,941	3,770
Revenue Anticipation Notes	-	-	-	-
Energy and Other Contracts Payable	-	-	-	-
Claims Payable	3,602	932	499	220
Purchased Power Obligation	-	-	-	-
Notes and Contracts Payable	9	9	-	-
Landfill Closure and Postclosure Liability	-	-	1,785	1,093
Arbitrage Rebate Liability	-	-	-	82
Deferred Credits	271	273	11,547	10,740
Other Current Liabilities	41	91	1,026	140
Total Current Liabilities	28,057	24,245	41,837	32,716
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	-	-	-	-
Compensated Absences Payable	1,824	1,722	2,726	2,500
Claims Payable	10,167	7,588	667	579
Notes Payable	-	-	-	-
Long-Term Purchased Power Obligation	-	-	-	-
Less Obligation Due Within One Year	-	-	-	-
Public Works Trust Loan	759	28	-	-
Landfill Closure and Postclosure Liability	-	-	29,244	26,330
Vendor and Other Deposits Payable	231	406	(2)	25
Deferred Credits	199	-	-	-
Other Noncurrent Liabilities	-	195	-	-
General Obligation Bonds, Due Serially	-	-	72,174	73,177
Less Bonds Due Within One Year	-	-	(1,050)	(1,003)
Bond Discount and Premium, Net	-	-	320	333
Accrued Interest on Deferred Interest Bonds	-	-	3,694	3,256
Less Accrued Interest Due Within One Year	-	-	(370)	(287)
Revenue Bonds and Anticipation Notes	301,195	244,410	33,436	35,430
Less Revenue Bonds Due Within One Year	(6,325)	(5,225)	(11,941)	(3,770)
Bond Discount and Premium, Net	2,747	563	522	559
Deferred Loss on Advanced Refunding	(2,007)	(2,127)	(945)	(1,151)
Total Noncurrent Liabilities	308,790	247,560	128,475	135,978
Total Liabilities	336,847	271,805	170,312	168,694
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	232,093	237,375	9,549	9,605
Restricted for Deferred Power Costs	-	-	-	-
Restricted for Other Purposes	12,118	7,211	784	1,867
Unrestricted	(1,016)	3,604	(7,444)	(7,225)
Total Net Assets	\$ 243,195	\$ 248,190	\$ 2,889	\$ 4,247

Adjustment to Reflect the Consolidation of Internal
Service Fund Activities Related to Enterprise Funds

Net Assets of Business-Type Activities

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2004

(In Thousands)

	Comparative Totals		Internal Service Funds	
	2004	2003	2004	2003
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 55,521	\$ 54,914	\$ 3,966	\$ 3,830
Salaries, Benefits, and Payroll Taxes Payable	11,061	8,995	1,962	1,664
Contracts Payable	3	-	48	97
Compensated Absences Payable	1,383	1,358	308	274
Interfund Loans Payable	5,159	70,000	-	-
Due to Other Funds	10,986	14,177	1,502	4,587
Due to Other Governments	7,948	6,990	-	-
Interest Payable	32,157	34,834	79	103
Street Refund Payable	19,998	-	-	-
Deferred Interest on Long-Term Debt Due Within One Year	370	287	-	-
Taxes Payable	9,573	10,677	21	1
General Obligation Bonds Due Within One Year	1,050	1,003	950	1,101
Revenue Bonds Due Within One Year	105,332	84,415	-	-
Revenue Anticipation Notes	-	-	-	-
Energy and Other Contracts Payable	1,710	3,545	-	-
Claims Payable	12,137	5,350	452	473
Purchased Power Obligation	10,705	10,300	-	-
Notes and Contracts Payable	127	127	348	246
Landfill Closure and Postclosure Liability	1,785	1,093	-	-
Arbitrage Rebate Liability	-	82	-	-
Deferred Credits	17,182	23,950	-	115
Other Current Liabilities	3,977	1,733	-	-
Total Current Liabilities	308,164	333,830	9,636	12,491
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	-	5,159	4,600	5,200
Compensated Absences Payable	18,176	17,518	2,990	2,878
Claims Payable	25,992	23,955	1,060	990
Notes Payable	-	-	743	810
Long-Term Purchased Power Obligation	35,663	45,130	-	-
Less Obligation Due Within One Year	(10,705)	(10,300)	-	-
Public Works Trust Loan	1,705	1,092	-	-
Landfill Closure and Postclosure Liability	29,244	26,330	-	-
Vendor and Other Deposits Payable	392	567	5	63
Deferred Credits	41,126	32,147	-	-
Other Noncurrent Liabilities	191	404	836	1,178
General Obligation Bonds, Due Serially	72,174	73,177	3,405	4,506
Less Bonds Due Within One Year	(1,050)	(1,003)	(950)	(1,101)
Bond Discount and Premium, Net	320	333	110	141
Accrued Interest on Deferred Interest Bonds	3,694	3,256	-	-
Less Accrued Interest Due Within One Year	(370)	(287)	-	-
Revenue Bonds and Anticipation Notes	2,666,512	2,532,851	-	-
Less Revenue Bonds Due Within One Year	(105,332)	(84,415)	-	-
Bond Discount and Premium, Net	58,171	40,603	-	-
Deferred Loss on Advanced Refunding	(67,492)	(53,607)	-	-
Total Noncurrent Liabilities	2,768,411	2,652,910	12,799	14,665
Total Liabilities	3,076,575	2,986,740	22,435	27,156
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	657,531	676,051	68,911	67,192
Restricted for Deferred Power Costs	-	100,000	-	-
Restricted for Other Purposes	98,074	78,897	-	-
Unrestricted	92,710	(31,885)	34,553	34,428
Total Net Assets	848,315	823,063	\$ 103,464	\$ 101,620
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds	(1,888)	(1,334)	-	-
Net Assets of Business-Type Activities	\$ 846,427	\$ 821,729	-	-

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES

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IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended December 31, 2004

(In Thousands)

	<u>L i g h t</u>		<u>W a t e r</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 777,919	\$ 739,005	\$ 141,313	\$ 129,561
OPERATING EXPENSES				
Long-Term Purchased Power	229,416	240,505	-	-
Short-Term Wholesale Power Purchases	49,714	24,233	-	-
Generation	20,284	20,211	-	-
Transmission	36,283	34,511	-	-
Distribution	40,973	39,116	-	-
Energy Management and Other Power Expenses	18,312	32,154	-	-
Resource Management	-	-	7,398	7,561
Field Operations	-	-	26,120	25,489
Engineering Services	-	-	3,510	3,160
Customer Services	33,681	31,068	7,487	7,991
Wastewater Treatment	-	-	-	-
Solid Waste Collection	-	-	-	-
Operations and Maintenance	-	-	-	-
General and Administrative	46,043	47,393	11,270	12,069
City Business and Occupation Taxes	34,488	33,608	9,933	8,942
Other Taxes	26,956	27,999	5,572	4,622
Amortization of Deferred Power Costs	100,000	100,000	-	-
Amortization of Landfill and Postclosure Costs	-	-	-	-
Depreciation and Other Amortization	73,853	69,270	29,705	28,123
Total Operating Expenses	710,003	700,068	100,995	97,957
Operating Income (Loss)	67,916	38,937	40,318	31,604
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	2,481	3,813	1,023	809
Interest Expense	(73,824)	(73,935)	(29,383)	(25,948)
Amortization of Debt Costs	(2,481)	(3,120)	699	(957)
Gain (Loss) on Sale of Capital Assets	2,154	698	945	-
Others, Net	(349)	(661)	693	6,596
Total Nonoperating Revenues (Expenses)	(72,019)	(73,205)	(26,023)	(19,500)
Income (Loss) Before Contributions, Grants, and Transfers	(4,103)	(34,268)	14,295	12,104
Capital Contributions and Grants	16,673	25,090	3,399	4,749
Operating Contributions and Grants	1,191	1,044	148	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Change in Net Assets	13,761	(8,134)	17,842	16,853
Net Assets -Beginning of Year	290,126	298,260	280,500	263,647
Net Assets - End of Year	\$ 303,887	\$ 290,126	\$ 298,342	\$ 280,500
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds				
Change in Net Assets of Business-Type Activities				

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES

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IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended December 31, 2004

(In Thousands)

	Drainage and Wastewater		Nonmajor Funds	
	2004	2003	2004	2003
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 162,118	\$ 150,722	\$ 154,678	\$ 148,730
OPERATING EXPENSES				
Long-Term Purchased Power	-	-	-	-
Short-Term Wholesale Power Purchases	-	-	-	-
Generation	-	-	-	-
Transmission	-	-	-	-
Distribution	-	-	-	-
Energy Management and Other Power Expenses	-	-	-	-
Resource Management	7,262	6,757	6,973	6,151
Field Operations	12,180	10,994	7,525	7,212
Engineering Services	3,105	3,278	747	220
Customer Services	6,011	5,949	5,323	5,497
Wastewater Treatment	83,711	85,041	-	-
Solid Waste Collection	-	-	59,521	58,616
Operations and Maintenance	-	-	40,355	32,998
General and Administrative	11,319	7,157	12,959	12,851
City Business and Occupation Taxes	15,793	14,727	14,742	14,848
Other Taxes	2,247	1,805	4,495	4,647
Amortization of Deferred Power Costs	-	-	-	-
Amortization of Landfill and Postclosure Costs	-	-	2,724	2,714
Depreciation and Other Amortization	11,407	7,616	6,335	6,540
Total Operating Expenses	153,035	143,324	161,699	152,294
Operating Income (Loss)	9,083	7,398	(7,021)	(3,564)
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	376	1,086	390	407
Interest Expense	(10,795)	(9,390)	(5,551)	(5,893)
Amortization of Debt Costs	(50)	(179)	60	73
Gain (Loss) on Sale of Capital Assets	-	-	272	19
Others, Net	(4,822)	(3,984)	(253)	(202)
Total Nonoperating Revenues (Expenses)	(15,291)	(12,467)	(5,082)	(5,596)
Income (Loss) Before Contributions, Grants, and Transfers	(6,208)	(5,069)	(12,103)	(9,160)
Capital Contributions and Grants	938	610	1,004	451
Operating Contributions and Grants	274	187	4	28
Transfers In	-	-	9,762	9,594
Transfers Out	-	-	(25)	(25)
Change in Net Assets	(4,996)	(4,272)	(1,358)	888
Net Assets -Beginning of Year	248,190	252,462	4,247	3,359
Net Assets - End of Year	\$ 243,194	\$ 248,190	\$ 2,889	\$ 4,247
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds				
Change in Net Assets of Business-Type Activities				

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES

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IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended December 31, 2004

(In Thousands)

	Comparative Totals		Internal Service Funds	
	2004	2003	2004	2003
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 1,236,028	\$ 1,168,018	\$ 95,535	\$ 96,375
OPERATING EXPENSES				
Long-Term Purchased Power	229,416	240,505	-	-
Short-Term Wholesale Power Purchases	49,714	24,233	-	-
Generation	20,284	20,211	-	-
Transmission	36,283	34,511	-	-
Distribution	40,973	39,116	-	-
Energy Management and Other Power Expenses	18,312	32,154	-	-
Resource Management	21,633	20,469	-	-
Field Operations	45,825	43,695	-	-
Engineering Services	7,362	6,658	5,747	7,549
Customer Services	52,502	50,505	-	-
Wastewater Treatment	83,711	85,041	-	-
Solid Waste Collection	59,521	58,616	-	-
Operations and Maintenance	40,355	32,998	69,533	67,303
General and Administrative	81,591	79,470	8,164	7,354
City Business and Occupation Taxes	74,956	72,125	20	12
Other Taxes	39,270	39,073	206	213
Amortization of Deferred Power Costs	100,000	100,000	-	-
Amortization of Landfill and Postclosure Costs	2,724	2,714	-	-
Depreciation and Other Amortization	121,300	111,549	13,030	13,035
Total Operating Expenses	1,125,732	1,093,643	96,700	95,466
Operating Income (Loss)	110,296	74,375	(1,165)	909
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	4,270	6,115	658	960
Interest Expense	(119,553)	(115,166)	(211)	(286)
Amortization of Debt Costs	(1,772)	(4,183)	-	(7)
Gain (Loss) on Sale of Capital Assets	3,371	717	(108)	(830)
Others, Net	(4,731)	1,749	419	520
Total Nonoperating Revenues (Expenses)	(118,415)	(110,768)	758	357
Income (Loss) Before Contributions, Grants, and Transfers	(8,119)	(36,393)	(407)	1,266
Capital Contributions and Grants	22,014	30,900	-	-
Operating Contributions and Grants	1,617	1,259	841	110
Transfers In	9,762	9,594	8,003	9,141
Transfers Out	(25)	(25)	(6,593)	(4,104)
Change in Net Assets	25,249	5,335	1,844	6,413
Net Assets -Beginning of Year			101,620	95,207
Net Assets - End of Year			\$ 103,464	\$ 101,620
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds	(552)	205		
Change in Net Assets of Business-Type Activities	\$ 24,697	\$ 5,540		

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2004
(In Thousands)

	L i g h t		W a t e r	
	2004	2003	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 791,009	\$ 751,993	\$ 141,226	\$ 130,250
Cash Paid to Suppliers	(334,940)	(394,281)	(27,212)	(7,850)
Cash Paid to Employees	(142,782)	(74,164)	(23,702)	(39,474)
Cash Paid for Taxes	(71,040)	(68,611)	(15,981)	(14,052)
Net Cash from Operating Activities	242,247	214,937	74,331	68,874
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds of Interfund Loan/Note	(70,000)	70,000	-	-
Payment of Interfund Loan/Note	-	-	-	-
Payment of Revenue Anticipation Note	-	(307,210)	-	-
Interest Paid on RAN and City of Seattle Loan/Note	(489)	(7,540)	-	-
Operating Grants Received	6,504	2,236	148	173
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Receipts for Energy Conservation Augmentation	8,628	10,716	-	-
Payments for Energy Conservation Augmentation	(17,165)	(17,911)	-	-
Intergovernmental Revenues and Other	-	-	692	6,596
Net Cash from Noncapital Financing Activities	(72,522)	(249,709)	840	6,769
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Draw-On Line of Credit - Revenue Anticipation Note	-	-	-	-
Proceeds from Sale of Bonds and Other Long-Term Debt	299,112	265,520	89,157	282,083
Principal Payments on Long-Term Debt and Refunding	(291,299)	(164,578)	(21,718)	(194,083)
Payment of Interfund Loan	-	-	-	-
Capital Expenditures and Deferred Charges Paid	(105,350)	(119,996)	(61,789)	(92,784)
Interest Paid On Long-Term Debt	(74,745)	(69,694)	(33,360)	(29,913)
Capital Fees and Grants Received	12,055	10,812	3,399	4,576
Debt Issuance Costs	-	-	(553)	-
Proceeds from Sale of Capital Assets	2,364	709	35	-
Other	-	-	-	-
Net Cash from Capital and Related Financing Activities	(157,863)	(77,227)	(24,829)	(30,121)
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Proceeds from Sale of Investments	83,237	40,651	24,436	-
Purchases of Investments	(41,881)	(108,897)	(88,194)	(24,436)
Interest Received on Investments	3,792	5,203	1,023	809
Net Cash from Investing Activities	45,148	(63,043)	(62,735)	(23,627)
Net Increase (Decrease) in Cash and Equity in Pooled Investments	57,010	(175,042)	(12,393)	21,895
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	100,535	275,577	49,046	27,150
End of Year	\$ 157,545	\$ 100,535	\$ 36,653	\$ 49,045
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 60,715	\$ 9,347	\$ 6,011	\$ 5,876
Current Assets Restricted Cash and Equity in Pooled Investments	5,219	7,407	13,104	30,972
Noncurrent Assets Restricted Cash and Equity in Pooled Investments	91,611	83,781	17,538	12,197
Total Cash at the End of the Year	\$ 157,545	\$ 100,535	\$ 36,653	\$ 49,045

^a Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long-term investments. Information on the increases or decreases in the fair value of long-term investments is shown in the schedule of noncash activities of the statement of cash flows.

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2004
(In Thousands)

	Drainage and Wastewater		Nonmajor Funds	
	2004	2003	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 159,341	\$ 149,842	\$ 153,213	\$ 153,334
Cash Paid to Suppliers	(110,760)	(91,200)	(95,077)	(91,170)
Cash Paid to Employees	(12,094)	(27,233)	(37,734)	(35,313)
Cash Paid for Taxes	(16,763)	(15,371)	(21,168)	(19,854)
Net Cash from Operating Activities	19,724	16,038	(766)	6,997
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds of Interfund Loan/Note	-	-	-	-
Payment of Interfund Loan/Note	-	(2,500)	-	-
Payment of Revenue Anticipation Note	-	-	-	-
Interest Paid on RAN and City of Seattle Loan/Note	-	(1)	-	-
Operating Grants Received	274	187	1,004	451
Transfers In	-	-	9,762	9,594
Transfers Out	-	-	(25)	(25)
Receipts for Energy Conservation Augmentation	-	-	-	-
Payments for Energy Conservation Augmentation	-	-	-	-
Intergovernmental Revenues and Other	(1,660)	-	-	-
Net Cash from Noncapital Financing Activities	(1,386)	(2,314)	10,741	10,020
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Draw-On Line of Credit - Revenue Anticipation Note	-	-	1,776	6,200
Proceeds from Sale of Bonds and Other Long-Term Debt	64,219	-	-	-
Principal Payments on Long-Term Debt and Refunding	(4,494)	(4,379)	(4,773)	(3,948)
Payment of Interfund Loan	-	-	-	-
Capital Expenditures and Deferred Charges Paid	(28,080)	(40,812)	(4,680)	(7,298)
Interest Paid On Long-Term Debt	(12,465)	(11,068)	(5,039)	(5,274)
Capital Fees and Grants Received	938	610	4	28
Debt Issuance Costs	(515)	-	-	-
Proceeds from Sale of Capital Assets	-	-	260	20
Other	-	-	-	-
Net Cash from Capital and Related Financing Activities	19,603	(55,649)	(12,452)	(10,272)
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Proceeds from Sale of Investments	5,200	-	-	-
Purchases of Investments	(52,078)	-	-	-
Interest Received on Investments	229	1,087	389	409
Net Cash from Investing Activities	(46,649)	1,087	389	409
Net Increase (Decrease) in Cash and Equity in Pooled Investments	(8,708)	(40,838)	(2,088)	7,154
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	25,957	66,795	27,110	19,956
End of Year	<u>\$ 17,249</u>	<u>\$ 25,957</u>	<u>\$ 25,022</u>	<u>\$ 27,110</u>
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 7,676	\$ 7,216	\$ 25,009	\$ 24,886
Current Assets Restricted Cash and Equity in Pooled Investments	4,097	13,167	13	2,224
Noncurrent Assets Restricted Cash and Equity in Pooled Investments	5,477	5,574	-	-
Total Cash at the End of the Year	<u>\$ 17,250</u>	<u>\$ 25,957</u>	<u>\$ 25,022</u>	<u>\$ 27,110</u>

^a Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long-term investments. Information on the increases or decreases in the fair value of long-term investments is shown in the schedule of noncash activities of the statement of cash flows.

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2004
(In Thousands)

	Comparative Totals		Internal Service Funds	
	2004	2003	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 1,244,789	\$ 1,185,419	\$ 99,117	\$ 96,440
Cash Paid to Suppliers	(567,989)	(584,501)	(51,061)	(33,612)
Cash Paid to Employees	(216,312)	(176,184)	(34,940)	(45,741)
Cash Paid for Taxes	(124,952)	(117,888)	(205)	(19)
Net Cash from Operating Activities	335,536	306,846	12,911	17,068
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds of Interfund Loan/Note	(70,000)	70,000	-	5,200
Payment of Interfund Loan/Note	-	(2,500)	(600)	(5,950)
Payment of Revenue Anticipation Note	-	(307,210)	-	-
Interest Paid on RAN and City of Seattle Loan/Note	(489)	(7,541)	-	-
Operating Grants Received	7,930	3,047	841	109
Transfers In	9,762	9,594	8,003	9,142
Transfers Out	(25)	(25)	(6,593)	(4,105)
Receipts for Energy Conservation Augmentation	8,628	10,716	-	-
Payments for Energy Conservation Augmentation	(17,165)	(17,911)	-	-
Intergovernmental Revenues and Other	(968)	6,596	-	-
Net Cash from Noncapital Financing Activities	(62,327)	(235,234)	1,651	4,396
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Draw-On Line of Credit - Revenue Anticipation Note	1,776	6,200	-	-
Proceeds from Sale of Bonds and Other Long-Term Debt	452,488	547,603	-	-
Principal Payments on Long-Term Debt and Refunding	(322,284)	(366,988)	(1,101)	(1,466)
Payment of Interfund Loan	-	-	-	-
Capital Expenditures and Deferred Charges Paid	(199,899)	(260,890)	(13,616)	(16,501)
Interest Paid On Long-Term Debt	(125,609)	(115,949)	(266)	(318)
Capital Fees and Grants Received	16,396	16,026	-	-
Debt Issuance Costs	(1,068)	-	-	-
Proceeds from Sale of Capital Assets	2,659	729	-	-
Other	-	-	6	-
Net Cash from Capital and Related Financing Activities	(175,541)	(173,269)	(14,977)	(18,285)
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Proceeds from Sale of Investments	112,873	40,651	-	-
Purchases of Investments	(182,153)	(133,333)	-	-
Interest Received on Investments	5,433	7,508	658	960
Net Cash from Investing Activities	(63,847)	(85,174)	658	960
Net Increase (Decrease) in Cash and Equity in Pooled Investments	33,821	(186,831)	243	4,139
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	202,648	389,478	42,746	38,607
End of Year	\$ 236,469	\$ 202,647	\$ 42,989	\$ 42,746
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 99,411	\$ 47,325	\$ 42,984	\$ 42,683
Current Assets Restricted Cash and Equity in Pooled Investments	22,433	53,770	5	63
Noncurrent Assets Restricted Cash and Equity in Pooled Investments	114,626	101,552	-	-
Total Cash at the End of the Year	\$ 236,470	\$ 202,647	\$ 42,989	\$ 42,746

^a Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long-term investments. Information on the increases or decreases in the fair value of long-term investments is shown in the schedule of noncash activities of the statement of cash flows.

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2004
(In Thousands)

	L i g h t		W a t e r	
	2004	2003	2004	2003
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 67,916	\$ 38,937	\$ 40,318	\$ 31,604
Adjustments to Reconcile Net Operating Income (Loss) to				
Net Cash from Operating Activities				
Depreciation and Amortization	73,853	69,270	29,705	28,123
Depreciation and Amortization Included in Operations and Maintenance	10,322	10,712	-	-
Amortization of Deferred Power Costs	100,000	100,000	-	-
Changes in Operating Assets and Liabilities				
Accounts Receivable	(2,753)	(6,392)	(194)	1,184
Unbilled Receivables	(609)	(1,116)	(389)	194
Other Receivables	3,671	(3,648)	296	(56)
Due from Other Funds	(19,271)	1,169	383	(1,045)
Due from Other Governments	(4,032)	(4,021)	(183)	167
Materials and Supplies Inventory	(161)	1,723	161	55
Accounts Payable	5,397	(19,558)	(3,426)	(1,296)
Salaries, Benefits, and Payroll Taxes Payable	1,070	281	475	315
Compensated Absences Payable	131	52	203	252
Due to Other Funds	(620)	(674)	(329)	(481)
Due to Other Governments	-	-	674	-
Claims Payable	1,948	3,181	1,269	2,494
Energy and Other Contracts Payable	(1,834)	(1,843)	-	-
Taxes Payable	(1,162)	988	122	110
Streetlight Refund Payable	19,998	-	-	-
Deferred Credits	(13,013)	15,754	5,000	6,960
Other Assets and Liabilities	1,396	10,122	246	294
Total Adjustments	174,331	176,000	34,013	37,270
Net Cash from Operating Activities	\$ 242,247	\$ 214,937	\$ 74,331	\$ 68,874
SCHEDULE OF NONCASH ACTIVITIES				
In-Kind Capital Contributions	\$ 298	\$ 9,220	\$ -	\$ -
Property Purchase	-	5,565	-	-
Disposal of Equipment	-	-	-	-
Fair Value Adjustment of Long-Term Investments	-	2	-	75
Total Noncash Activities	\$ 298	\$ 14,787	\$ -	\$ 75

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2004
(In Thousands)

	Drainage and Wastewater		Nonmajor Funds	
	2004	2003	2004	2003
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 9,083	\$ 7,398	\$ (7,021)	\$ (3,767)
Adjustments to Reconcile Net Operating Income (Loss) to				
Net Cash from Operating Activities				
Depreciation and Amortization	11,407	7,616	9,059	9,254
Depreciation and Amortization Included in Operations and Maintenance	-	-	-	-
Amortization of Deferred Power Costs	-	-	-	-
Changes in Operating Assets and Liabilities				
Accounts Receivable	(1,483)	(47)	(1,756)	2,778
Unbilled Receivables	(689)	(996)	112	(5)
Other Receivables	-	4	-	-
Due from Other Funds	84	(70)	(386)	320
Due from Other Governments	(301)	(376)	9	706
Materials and Supplies Inventory	-	-	(11)	2
Accounts Payable	(238)	(3,723)	(572)	(1,048)
Salaries, Benefits, and Payroll Taxes Payable	289	210	233	113
Compensated Absences Payable	114	205	236	117
Due to Other Funds	(670)	52	(1,572)	827
Due to Other Governments	255	5,271	28	(132)
Claims Payable	2,091	3,954	368	332
Energy and Other Contracts Payable	-	-	-	-
Taxes Payable	(1)	18	(64)	21
Streetlight Refund Payable	-	-	-	-
Deferred Credits	(2)	273	(156)	(550)
Other Assets and Liabilities	(215)	(3,751)	727	(1,971)
Total Adjustments	10,641	8,640	6,255	10,764
Net Cash from Operating Activities	\$ 19,724	\$ 16,038	\$ (766)	\$ 6,997
SCHEDULE OF NONCASH ACTIVITIES				
In-Kind Capital Contributions	\$ -	\$ -	\$ -	\$ -
Property Purchase	-	-	-	-
Disposal of Equipment	-	-	11	-
Fair Value Adjustment of Long-Term Investments	-	-	(93)	(23)
Total Noncash Activities	\$ -	\$ -	\$ (82)	\$ (23)

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2004
(In Thousands)

	Comparative Totals		Internal Service Funds	
	2004	2003	2004	2003
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 110,296	\$ 74,172	\$ (1,164)	\$ 742
Adjustments to Reconcile Net Operating Income (Loss) to				
Net Cash from Operating Activities				
Depreciation and Amortization	124,024	114,263	13,030	13,035
Depreciation and Amortization Included in Operations and Maintenance	10,322	10,712	-	-
Amortization of Deferred Power Costs	100,000	100,000	-	-
Changes in Operating Assets and Liabilities				
Accounts Receivable	(6,186)	(2,477)	(2)	132
Unbilled Receivables	(1,575)	(1,923)	2	31
Other Receivables	3,967	(3,700)	-	-
Due from Other Funds	(19,190)	374	2,897	(257)
Due from Other Governments	(4,507)	(3,524)	764	797
Materials and Supplies Inventory	(11)	1,780	(75)	75
Accounts Payable	1,161	(25,625)	135	(2,616)
Salaries, Benefits, and Payroll Taxes Payable	2,067	919	296	175
Compensated Absences Payable	684	626	144	105
Due to Other Funds	(3,191)	(276)	(2,965)	2,187
Due to Other Governments	957	5,139	-	-
Claims Payable	5,676	9,961	50	512
Energy and Other Contracts Payable	(1,834)	(1,843)	(84)	262
Taxes Payable	(1,105)	1,137	-	1
Streetlight Refund Payable	19,998	-	-	-
Deferred Credits	(8,171)	22,437	(78)	43
Other Assets and Liabilities	2,154	4,694	(39)	1,844
Total Adjustments	225,240	232,674	14,075	16,326
Net Cash from Operating Activities	\$ 335,536	\$ 306,846	\$ 12,911	\$ 17,068
SCHEDULE OF NONCASH ACTIVITIES				
In-Kind Capital Contributions	\$ 298	\$ 9,220	\$ -	\$ -
Property Purchase	-	5,565	-	-
Disposal of Equipment	11	-	-	-
Fair Value Adjustment of Long-Term Investments	(93)	54	-	-
Total Noncash Activities	\$ 216	\$ 14,839	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.